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COUNTRY China/Hong Kong/Macao

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SUBJECT Tungsten Situation in China

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SUPPLEMENT TO REPORT NO. [REDACTED]

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1. The principal tungsten-producing belt in China extends from Nanchang, Kiangsi, southwest along the mountains, and then along the Hunan-Kwangtung border. More than 75 percent of the tungsten comes from Kiangsi. Small quantities have been produced in Kuangsi, Yunnan, Fukien and Hopei, while minor quantities are reported to be mined in Sinkiang and shipped overland to the USSR. REF
2. There are several large tungsten mines in China but the bulk of the production comes from hundreds of small properties, some of which are operated by a single family. Young children start mining as soon as they can wield a hammer. Output rises sharply after the growing season when a large number of farmers turn to mining tungsten.
3. Production figures for tungsten are as inaccurate as figures for tin. Members of the National Resources Commission (NRC) spend a great deal of time juggling figures to justify their jobs. Even they do not know the actual production for all China because a large amount of the output is produced clandestinely and smuggled out of China. In some cases smuggled concentrates carry a Chinese Nationalist Government export permit secured through bribing NRC officials.
4. In 1948 Chinese production of tungsten concentrates apparently approached pre-World War II peak years. About 11,500 metric tons of tungsten concentrates averaging 65% WO₃ were mined in 1948. This plus a large shipment of NRC concentrates produced in 1947 brought 1948 exports up to 13,000 tons. NRC is believed to have shipped 9,000 metric tons; the rest was smuggled out by government and NRC officials, and by private firms and individuals. Army officers, government officials and Chinese banks bought and smuggled concentrates for the following reasons:
 - a. Smuggling profits are high.
 - b. People prefer to hold exportable goods rather than depreciating currency.
5. Production during the first six months of 1949 was estimated at 4,500 metric tons. The decrease in production rate was caused by a price drop, bandit activities (which resulted in increased transport charges) and officials'

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demands for larger squeeze. Shipments exceeded production because poor people, who have been building tungsten concentrates in 10-50 catty bags, sold stocks for gold bars because they feared that the Communists would confiscate exportable products.

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6. [REDACTED] As of 29 November 1949, the Communists had not captured more than 300 tons of tungsten, which they shipped to Shanghai.

7. NRC-owned mines are estimated to have produced in 1948 less than 3,500 metric tons of tungsten concentrates, 65% WO_3 , but this estimate may be low because some was sold to Kwong Shing Cheong (a Hong Kong export firm) for the personal accounts of NRC members. Most of NRC's exports were purchased from miners by the brokers NRC had in every small tungsten-producing town. The Kiangsi Tungsten Administration and similar Kwangtung and Hunan offices operated by NRC apparently were overstaffed and inefficient.

8. When Hong Kong prices were high NRC was buying concentrates from the miners for as low as 20 percent of the Hong Kong price. Private firms could pay a higher price than NRC, pay off officials, "buy" an export permit, pay transport costs to Hong Kong, and still make 100 percent profit. Meanwhile, miners barely earned enough to buy sufficient food. In 1949 NRC raised purchase prices, but rising food costs more than equalled the increase, and production started to fall.

9. Until May 1949 NRC held a monopoly on the sale of tungsten concentrates, but tungsten brokerage and export firms (of which Kwong Shing Cheong was the largest) were able to buy concentrates by paying NRC officials. If a firm became too large, NRC officials would demand so much squeeze that the firm would lose its profits.

10. Kwong Shing Cheong, which has its head office in Hong Kong and branches in the tungsten-producing areas of Kiangsi, Hunan and Kwangtung, has always kept bank accounts low and appeared to be in a poor financial condition to prevent paying high squeeze. It is owned by T. O. WONG and Company, Hong Kong, (which is well-situated financially) but this is not known by any Hong Kong banks or other firms. When Kwong Shing Cheong quotes a shipment to USSR buyers, T. O. WONG and Company quotes a similar shipment of the same tonnage to London and New York.

11. WONG will try to operate Kwong Shing Cheong under the Communist regime, but is doubtful that he will succeed.

12. Normally most tungsten from Kiangsi is carried to the Fu and Kan Rivers and shipped north to Shanghai on small boats. Most Kwangtung and Hunan production is shipped to Macao on junks; then part is shipped to Hong Kong. Coolies, who change at each district boundary, work on a contract basis and charge as much as the traffic will bear. Transport charges are higher than the original price. Smugglers often sent heavily-armed guards with their shipments.

13. The Communist advance south caused NRC to fly tungsten by Central Air Transport Corporation (CATC) from Kanchou, Kiangsi, to Canton, and then ship it by boat to Hong Kong.

14. NRC sends large shipments to Hong Kong but most private shipments are smuggled on junks to Hong Kong and Macao in small lots of a few tons each*. Hong Kong and Macao exporters collect these small lots until they have a good size shipment to offer to foreign markets.

15. Kwong Shing Cheong ships concentrates purchased by the brokers in China and also buys from smugglers, who like to deal with this company, although it pays the lowest prices for their concentrates, because it provides them with beds and food free in Hong Kong.

16. Concentrates shipped to Hong Kong often have to be washed and screened. This is sometimes done by primitive methods in Hong Kong. Kwong Shing Cheong has

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a small plant at 20-22 Belcher's Street, West Point, with a small magnetic separator and a small ball mill, where it treats its own ores and those of other firms. Kwong Shing Cheong uses T. O. WONG and Company's tin smelter in Mong Kok, Hong Kong to reduce arsenic content of tungsten ores (at the rate of four tons a day).

17. On 4 November 1949 the Kwong Shing Cheong warehouse held 300 metric tons of tungsten concentrates belonging to five Hong Kong brokers. Another 240 metric tons, nearly all of which were smuggled, were believed to be held in Hong Kong by other private firms and banks.

18. During 1948 and 1949 tungsten concentrates were exported from Hong Kong and Macao by the following firms**:

- a. T. O. Wong and Co., which is the largest private exporter in Prince's Building.
- b. T. K. Li and Co. Ltd., Windsor House (This is also known as the Wah Chang Co., and operates the Glen Cove, New York, tungsten plant).
- c. Union Trading Co., York Building.
- d. Tonley and Co., Wing 'n Building.
- e. L. Rondon and Co., French Bank Building.
- f. Southwest Industrial Corp., York Building.
- g. Wing Wo Hing, David House.
- h. Jardine Matheson and Co., Peddar Street.
- i. Mutual Trust Co., Marina House.
- j. Hong Kong Canton Export Co., French Bank Building.
- k. C. Arnulphy, French Bank (Arnulphy exports for his own account as well as for his company, the Hong Kong Canton Export).
- l. Bunnan Tong and Co., Marina House.
- m. Chan Hau Po and Co., 6 Queens Road.
- n. C. K. Hammond and Co., Union Building.
- o. Heng Tai and Fungs, Kayamally Building.
- p. Bank of China, Hong Kong Bank Building.
- q. Central Bank of China, Pedder Building.
- r. National Resources Commission, East Point, Hennessy Road.

19. According to Hong Kong officials, exports of tungsten concentrates in 1948 totalled roughly 3,300 metric tons, of which 2,400 metric tons went to the USSR, 600 tons to USA, 160 to Great Britain and the rest to other European countries. According to this figure, only $\frac{1}{4}$ of the 1948 China tungsten exports were shipped through Hong Kong.

20. Several hundred tons are believed to have been shipped through Macao, mostly to the USSR. However, shipping companies will not stop in Macao for less than 150 tons of concentrates.

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21. Trade figures of the Hong Kong Government for the first nine months of 1949 are as follows:

	Import (piculs)	Export (piculs)
Central China	209	
South China	74,225	
South Korea	1,200	
Macao	3,157	
USA		24,829
Great Britain		11,320
Belgium		4,077
France		4,426
Holland		1,008
Sweden		2,435
USSR		2,471 (149 met. tons)
Total Imports	78,791	Total Exports 50,566
	(4752 Metric Tons)	(3,050 Metric Tons)

Hong Kong export figures are said to be reasonably accurate, but import figures are known to be much too low because large amounts of smuggled concentrates are not reported

22. Two shipments were said to have been made to the USSR during the summer of 1949, but they did not appear in government export figures.

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* ~~Comment.~~ Often bags of tungsten concentrates have been covered with fish to avoid disclosure when junks were searched by customs.
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** ~~Comment.~~ This is a complete list of Hong Kong tungsten exporters except for the Yangtze Supply Corporation, a cover company for EKSPORTKINE.

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